THE Market Administrator's BULLETIN

MARKET ADMINISTRATOR

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Prices for Manufacturing Milk Up; Little Change In Fluid Price

The Dairy Situation, Economic Research Service, USDA, June 1961

The wholesale milk price in May at $3.89 was up 7 cents per hundredweight or 2 percent from that received by farmers a year ago. There was considerable variation in prices by regions. Increases of 5 percent were recorded in the East North Central and West North Central regions, reflecting mainly the March increase in price supports for manufacturing milk and the response of Class I prices to the new support levels. Decreases from a year ago occurred mainly in regions where dealers' buying prices for milk distributed in fluid form were below a year ago, reflecting substantial increases in market receipts. Class I sales in these regions remained near the levels of a year ago. In addition, with a greater proportion of milk channeled into manufacturing purposes, there was a further lowering effect in the average price for wholesale milk.

Prices for manufacturing milk in May averaged $3.25 per hundredweight. In April and May prices were 15 and 14 cents higher than a year ago, reflecting the change in price support level for manufacturing milk last March. Adjusted to the annual average fat test for the year as a whole, the equivalent prices for April and May of this year are $3.37 and $3.36 respectively.

In the first 5 months of this year, prices paid by dealers for milk used in fluid form averaged betwen 1 to 3 cents above a year earlier. Since Class I pricing formulas reflect changes in manufacturing milk prices of the previous months, April Class I prices were not expected to reflect the higher support level established in March. However, some increase in the price of milk used in fluid distribution was expected in May. But the expected increase in the average price did not materialize as the influence of the increase in manufacturing milk prices was offset by downward adjustments in Class I prices, reflecting mainly increased milk supplies in many Federal order milk markets.

From January through April 1961, receipts from producers in 75 Federal order markets averaged 5.7 percent above a year earlier. Since May 1956, producers in fluid milk markets have delivered more milk each month than in the corresponding month of the previous year. The continued shift to farm bulk tanks and a desire of dairymen and plant operators to convert from Grade B to Grade A status has been mainly responsible for the uptrend in milk receipts in fluid milk markets. As a result, a larger percentage of our total milk production is now eligible for fluid distribution. With production running around 1 percent above a year ago and further shifts toward producing for the fluid market, the quantity of milk eligible for fluid use has significantly outrun population growth.

On the other hand, total sales of fluid products have not kept pace with population growth. From January through April, Class I sales, of producer milk in Federal

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APRIL—MAY MILK PRODUCTION LIMITED BY SLOW PASTURE DEVELOPMENT

The Dairy Situation, Economic Research Service
USDA, June 1961

From January through May of this year, the daily rate of milk production was about 1 percent larger than for the same period in 1960. In January, output started at a level slightly above a year ago, expanded more than seasonally through March, but faltered somewhat in April and May relative to a year ago. This faltering may be attributed to retarded pasture development, particularly in the northern States, due to below normal temperatures.

Despite retarded pasture growth, the condition of dairy pastures on May 1 was reported at 85 percent of normal, 1 point below last year's unusually favorable condition. This reflects unusually good prospects for future growth due to generally ample soil moisture in most important dairy areas. On June 1, pasture condition was 84 percent of normal, compared to 87 percent a year ago.

In the decade ending in 1952, milk production moved irregularly within a range of 113 to 120 billion pounds, with output averaging 116 billion pounds per year. In 1953, milk production jumped 5½ billion pounds above 1952 to 120.2 billion pounds, triggering an upsurge which culminated in a production record of 124.9 billion pounds in 1956. In the next three years, output declined, and was 122.0 billion pounds in 1959. An upturn of 0.9 billion pounds occurred in 1960. A larger increase appears likely in 1961.

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MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY	June 1961	May 1961	June 1960
Producers' Uniform Price (3.5%)	$3.68	$3.61	$3.53
Producers' Uniform Price (4%)	4.05	3.98	3.885
Class I (3.5%)	4.363	4.239	4.208
Class II (3.5%)	3.963	3.839	3.808
Class III (3.5%)	3.780	3.763	3.506
Class IV (3.5%)	3.160	3.143	3.886
Producer Butterfat Differential for each one-tenth percent	7.4¢	7.4¢	7.1¢

UTILIZATION SUMMARY	June 1961	May 1961	June 1960
Percent of Producer Milk in Class I	64.1	69.1	68.3
Percent of Producer Butterfat in Class I	64.0	66.4	67.1
Percent of Producer Milk in Class II	7.7	7.2	7.5
Percent of Producer Butterfat in Class II	2.6	2.5	2.4
Percent of Producer Milk in Class III	3.7	2.9	3.3
Percent of Producer Butterfat in Class III	5.1	4.4	4.4
Percent of Producer Milk in Class IV	24.5	20.8	20.9
Percent of Producer Butterfat in Class IV	28.3	26.7	26.1

PRODUCTION SUMMARY	June 1961	May 1961	June 1960
Total Pounds of Producer Milk Delivered	31,252,379	33,290,673	29.844,239
Average Daily Class I Producer Milk	667,471	742,738	679,644
Total Number of Producers	1,242	1,240	1,657
Average Daily Production per Producer	839	866	600
Average Butterfat Test	3.62	3.73	3.69
Total Value of Producers Milk at Test	$1,279,623.31	$1,375,302.51	$1,195,728.94
Income per Producer (7 day average)	$240.40	$250.44	$168.38

GROSS CLASS USE (Pounds)	June 1961	May 1961	June 1960
Class I Skim	19,300,852	22,198,744	19,649,073
Class I Butterfat	723,263	826,131	740,256
Class I Milk	20,024,115	23,024,875	20,389,329
Class II Skim	2,376,186	2,364,750	2,220,493
Class II Butterfat	28,893	31,235	26,620
Class II Milk	2,405,079	2,395,985	2,247,113

AVERAGE DAILY SALES (Quarts)	June 1961	May 1961	June 1960
Milk	272,792	292,718	275,281
Buttermilk	5,368	4,861	5,597
Chocolate	10,478	17,422	12,010
Skim	11,648	12,838	10,849
Cream	8,526	8,777	8,628

COMPARATIVE STATISTICS ★ COLUMBUS MARKETING AREA ★ JUNE, 1952-'61

Year	Receipts from Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1952......	22,687,971	3.84	63.4	30.0	6.6	——	4.12	4.382	3.982	3.556	——	2,110	358
1953......	24,355,409	3.80	61.7	24.4	13.9	——	3.92	4.523	4.123	3.477	——	2,220	366
1954......	25,666,979	3.80	61.9	7.1	16.3	14.7	3.35	4.106	3.706	3.206	3.029	2,163	396
1955......	26,831,726	3.72	62.7	7.2	12.8	17.3	3.48	4.209	3.809	3.312	3.133	2,081	430
1956......	28,016,984	3.73	61.6	8.3	12.4	17.7	3.86	4.811	3.951	3.382	3.205	2,049	456
1957......	27,823,794	3.64	66.3	7.4	15.3	11.0	3.71	4.392	3.992	3.492	3.068	1,905	487
1958......	27,893,568	3.66	64.2	7.0	9.9	18.9	3.40	4.069	3.669	3.269	2.847	1,816	512
1959......	29,782,303	3.64	69.8	7.9	4.0	18.3	3.62	4.307	3.907	3.493	2.873	1,760	564
1960......	29,844,239	3.69	68.3	7.5	3.3	20.9	3.53	4.208	3.808	3.506	2.886	1,657	600
1961......	31,252,379	3.62	64.1	7.7	3.7	24.5	3.68	4.363	3.963	3.780	3.160	1,242	839

Milk-Feed Price Relationships Continue Favorable

The Dairy Situation, Economic Research Service USDA, June 1961

Milk-feed price relationships are direct indicators of the profitability of milk production. If these relationships become favorable, farmers individually respond by first feeding their cattle more heavily and culling less rigorously, and, over the longer period, by increasing the size of their herds. Should the relationships become less favorable, the reverse response takes place.

Since 1955, milk prices in relation to feed prices have risen steadily, accompanied by an equally steady uptrend in the quantity of grain and other concentrates fed. Between 1954 and 1960, the all wholesale milk price advanced 6 percent, while the value of concentrate rations fed to milk cows declined 13 percent. In 1960, a record high of 32.2 pounds of concentrates were fed per 100 pounds of milk produced, compared with 30.0 pounds in 1954. In 1959 and 1960, the value of concentrates fed in milk selling areas has remained practically unchanged, while the annual all wholesale milk price has advanced 1 percent a year. The stability in ration values, as reflected in mid-month estimates, has continued through this May, and little change is expected over the next several months. Milk prices, too, may continue at about current levels, or 2 percent above 1960. This means that little change is likely in the currently favorable milk-feed price relationships over the next three or four months.

Changes in the relations of milk prices to hog and cattle prices, on the other hand, are indicators of the changes in the relative profitability of the three different livestock enterprises — dairy, hog, and cattle. Abrupt or substantial changes in these relationships create pressures which bring about shifts in the use of farm resources from one livestock enterprise to another. No such changes appear to be in prospect for 1961. For the year as a whole, cattle and hog prices are expected to remain unusually firm. Prices to farmers for all beef cattle may average close to last year. Hog prices will be below prices a year earlier this fall, but the year's average will likely be above 1960.

Change in Seasonality of Milk Production

The Dairy Situation, Economic Research Service USDA, June 1961

Milk production has always been gerater in the spring and summer when pastures provide large quantites of excellent roughage at relatively low cost. The peak in monthly production nationally used to occur in June, but in recent years most milk has been produced in May. November has always been the month of lowest production. About 15 years ago, milk production in the highest month exceeded output in the lowest month by almost 65 percent. By 1960 the seasonal fluctuations were reduced considerably, and now output in May tends to be about 40 percent above November.

Prices for milk have nearly always been higher in the fall and winter than in the spring and summer, and incentive for dairymen to even out production. In addition, in fluid milk markets, special pricing plans have been instituted over the years to create an even greater inducement for more stable production than would result from changes in utilization alone.

Changes in production practices have also influenced the seasonality of milk production. Particularly important have been improvements in the quality and availability of roughage for winter feeding which have encouraged dairymen to feed roughage more liberally in the nonpasture season. Quality has been enhanced by the increase in alfalfa hay relative to all hay, and by the increase in grass silage relative to all silage. Furthermore, there have been advances in methods of curing and storing forage which have both reduced the cost of roughage and improved its nutritive value.

Farmers are increasingly aware that, under average conditions a milk cow will give more milk through her lactation if she freshens in the late summer or fall, rather than in the spring. As a result, the percentage of cows milked has showed little change from July through October and increased considerably in other months of the year. Taken all together, these changes have reduced the seasonal variation in the number of cows milked.

APRIL - MAY MILK PRODUCTION

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Over the last 2 decades, crop respondents have been reporting record highs almost every month in three important measures: (1) pounds of grain fed per cow; (2) milk produced per cow; and (3) proportion of milk cows milked. Most recent levels for the first 2 series are greater than a year earlier by 6 and 2 percent, respectively. However, the percentage of milk cows milked is down slightly.

TOTAL DISAPPEARANCE OF SORGHUM GRAIN MAY FALL BELOW 1959-60 RECORD

The Feed Situation . Economic Research Service USDA, May 1961

The total disappearance of sorghum grain in 1960-61 may fall a little below the 1959-60 record of 513 milion bushels. In the first half of the 1960-61 marketing year, 324 million bushels were used domestically, 26 million more than in that period of 1959-60. Exports, however, totaled only 37 million bushels, 12 million less than a year earlier. The heavy movement of sorghum grain under the price support program will limit "free" supplies in the last half of the marketing year and domestic use may fall below a year earlier in this period. For the entire 1960-61 marketing year, domestic use is expected to be a little above the 414 million bushels of last year. Exports probably will be around a fourth less than the 99 million bushels exported in 1959-60. The total disappearance for 1960-61 may be 500 million bushels, leaving a carryover next October 1 of around 725 million bushels.

Prices For Manufacturing Milk Up

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order markets were only 1.3 percent over the levels of a year ago. The net result has been that a smaller porportion of the milk receipts in order markets is being channeled into Class I use. The lower percentage of milk in Class I has brought about a downward adjustment in Class I prices via the supply-demand factor in the pricing formulas. The supply-demand factor has reduced Class I order prices from a year ago by as much as 20-30 cents in some markets. The effect of the supply-demand adjustments has become more noticeable in recent months than it was at the beginning of the year, both because of increasing supplies and contraseasonal provisions which kept Class I prices up in some markets during January and February. As a result, prices paid by dealers for milk distributed in fluid form averaged higher above a year ago in the early part of the year than in April and May. The prices for some of the markets include premiums which producers have negotiated above prices established by the order formula. In these markets, the negotiated prices do not, in all cases, follow changes in the basic (manufacturing milk) formula price because negotiated prices may be a dollar and cents figure rather than a specified premium over the order price.

While U. S. prices for milk in fluid distribution for the first 5 months showed virtually no change from a year ago, considerable variation occurred among regions. The East North Central was the only region to improve its price position following the increase in the support level.

Market Quotations

June 1961

12 MIDWEST CONDENSERIES 3.5% per Cwt.	$3.122
4 CONDENSERIES (Cincinnati) 3.5% per Cwt.	2.8438
4 CONDENSERIES (Tri-State) 3.5% per Cwt.	2.836
Evaporated Milk Code Price, 3.5% per Cwt.	2.892
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Cincinnati)	3.3246
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus)	3.28
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Dayton)	3.304
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Toledo)	3.178
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Tri-State, North Central O.)	3.178
Average Weekly Cheddars price per lb.	.34250
Average price per lb. non-fat dry milk solids, roller process, delivered in Chicago	.15500
Average price per lb. 92-score butter at Chicago	.60466
Average carlot prices non-fat dry milk solids, roller and spray process, f.o.b. manufacturing plant	.1482

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